

## **STRATEGIES FOR REGIONAL SUSTAINABLE DEVELOPMENT IN SOUTH-WEST OLTENIA**

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**Abstract.** *The paper analyses the relationship between sustainable development, regionalism and strategic orientation in one of the least developed Romanian regions, South-West Oltenia. Based on a questionnaire filled in by a sample of managers from the region, the perception on business strengths and weaknesses, as well as the assessment of the external environment were investigated, and paralleled with the main causes of underdevelopment, as identified by the respective managers. The conclusions of the study give a plausible picture of the level of development, interrelated with the quality of business strategies in the region, and ask for a comparative analysis of more Romanian regions, having various development levels.*

**Key words:** sustainable development, regional planning, strategic management, South-West Oltenia.

### **1. Introduction**

The abundance of scientific discoveries engineered during the Cold War era has brought along more efficient ways to carry out business activities. Decades before, business performance was the outcome of achieving a high level of technological endowment, but in the 1960s the challenge was rather to pool the financing needed to invest in widely available technology. Soon, improved labor productivity increased output and supply, and people were persuaded to buy more on account of their increasing revenues. The standard of living in the developed economies picked up impressively, but more production meant more resources were exploited. And more consumption generated higher amounts of waste. With population skyrocketing and average consumption ever-increasing, the pressure on the Earth's resources was tremendous.

Enthusiasm was short-lived. In the 1970s, the academic community realized that consumerism was threatening to exhaust the previously considered infinite resources. On top of that, carbon dioxide emissions altered the composition of the atmosphere and generated the so-called greenhouse effect, inducing unprecedented climate change. The message was clear: resources were finite, and pollution damaged the quality of life. The welfare of the next generations was endangered by the irrational use of natural resources, and this news had to make way to all stakeholders and elicit action.

By the end of the 1980s, scientists, politicians and businessmen alike had begun to understand the importance of preserving the carrying capacity ([www.carryingcapacity.org](http://www.carryingcapacity.org)) of the ecosystems, agreeing that there was no perspective in raising the quality of life without protecting the natural environment ([www.romaniadurabila.net](http://www.romaniadurabila.net)). The world-scale conferences addressing the issue came

up with a common definition for global sustainable development, but research showed that the best way to achieve sustainability is to tackle it at regional and local level. This finding has lead, in 1992, to the formulation of the Local Agenda 21, a framework which engages all stakeholders within the community in the development of small scale integrated action plans that promote sustainable development.

The three main categories of stakeholders involved in the process of regional sustainable development are the political authorities –as policy makers, the economic agents –as creators of added value, and the local community –as beneficiary of sustainable improvements in the quality of life. Thus, the authorities create and implement the legal framework to ensure stability in the region, attracting investors and offering incentives for innovation, development and growth. In turn, businesses contribute to the wellbeing of the community by providing employment, by offering quality products/services that meet and even anticipate the needs of their customers, and by committing not to damage the environment in their activities. Finally, the local community is responsible for its wellbeing through promoting customs, values and norms which create a climate of safety and cooperation, and through actively involving in policy making and in business endeavors.

Being the only creator of added value, the business community can be considered as the prime source of economic growth and sustainable development in a region, even though it is bound by the legal framework and conditioned by the education and culture of the local community. The ability of the local businessmen to screen the internal and external business environment and devise long-term action plans that are up to date with the broader economic and political developments is crucial for the wellbeing of the region. Therefore, an investigation on the regional level of development could become more relevant if perceived through their eyes.

During the last two decades, the rapid advances in mobile communications and access to internet technology have enhanced exchanges of information, reshaping the world once again. The economy has grown global and access to technology ceased to represent a sustainable competitive advantage. For instance, soon after a new technology is launched in France, businesses in Korea and Argentina can purchase it to improve productivity, but they cannot claim for long a competitive advantage over other players. The business environment is more transparent and competitors can timely respond to strategies built on tangible assets.

Nowadays, the pathway to success is knowledge creation through innovation, and human capital has become more valuable than technology or finance. Skilled employees who can actually improve the business processes by gradual or radical changes make the worth of most companies, and it is their abilities that should be kept in the vault. Thus, managers analyze the internal and external environment of the business, identify core competencies and focus on them when they design strategic plans for future action. Since the business environment is permanently altering, ongoing diagnosis is needed in order to spot any change and respond to it proactively. The organization must be flexible in order to allow for swift changes in its structure and activities.

Starting from these premises, our objective is to find a correlation between strategic thinking at the microeconomic level and the perspectives of macroeconomic wealth, assessed in terms of regional development.

## **2. Literature review**

The concept of sustainable development was introduced in forestry in the 18<sup>th</sup> century, when it referred to the need of maintaining the equilibrium between the regeneration capacity of the forest and the volume of deforestation, in order to maximize the output on the long-run without „wiping out the forest” (Pandelea, 2007, pp.9-11). The debates which shaped the concept in its current form date back to 1972, when the global conference on natural environment held in Stockholm raised for the first time the problem of environmental deterioration due to human activity. Beforehand, the idea of development regarded economic growth as the ultimate goal, regardless of the means through which it was achieved, but then people started to realize that natural resources are limited and can be depleted. The alarming perspective was resented during the major oil crisis that followed and ignited debates. In 1983, the United Nations created the World Commission on Environment and Development –henceforth WCED, whose presidency was held by Gro Brundtland.

As the concept gained in popularity, it also broadened its sense. At first, it merely tried to come up with a solution to the intensive industrial exploitation of natural resources and the alarming degradation of ecosystems. Nevertheless, the assets highly treasured in the present might not create as much value tomorrow and, despite its transitory meaning across time, the standard of living would still be defined by similar values in the future (Renn, Goble et al, 1998), so the concept was expanded to comprise the quality of life in its complexity, referring to social and economic aspects as well.

In 1986, the WCED tried to reach consensus among all members regarding the meaning of sustainable development. The result of this endeavor was the Brundtland Report, which suggested a widely accepted definition of sustainable development: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” ([www.gdrc.org](http://www.gdrc.org), accessed March 23<sup>rd</sup>, 2008). According to this definition, sustainable development regards all interactions between humans and the natural environment, involving pro-active and self regulatory efforts. Its downturn is that it is too broad and vague to be sufficient for application at local level, and can only be used as a framework in smaller territorial units.

Basically, the concept of sustainable development refers to the welfare of future generations embodied in two apparently contradictory demands, further economic growth in conjunction with ecological preservation of the environment. In order for both objectives to function in parallel without losing their focus, it is important to accurately define the concept, a daunting task at a global level. To compensate for this weakness of the definition, the Earth Summit held in Rio de

Janeiro in 1992 adopted a guideline for customizing the concept at narrower levels, namely the Local Agenda 21.

This decentralized initiative sets the responsibility of local authorities with respect to the implementation of sustainability programs, through their coordination function. It also requires the engagement of all stakeholders within the community in the decision-making process, so that strategic action plans are devised in consensus and backed up by mechanisms for implementing, monitoring and adaptation. The action plans address issues such as community development, water resource management, energy management, solid waste reduction, transport and air quality (Owen and Videras, 2008). In this way, community groups, non-governmental organizations, the business community, and the academic environment can all have a strong say for their future.

The desiderate of sustainable development can only be fully achieved at world scale, when all communities would have equal chances to attain a high standard of living while preserving the carrying capacity of the environment for the next generations. And it is as certain that differences in political stability, culture, education, business practices, and economic profile translate into different praised values and capacity to support sustainable development, as presented above. The obstacles that impede sustainable development differ from one community to another and must be eradicated from their root. Therefore, solutions must be identified at community level, according to the principles agreed upon at global scale, as stated in the Local Agenda 21.

Strategies for sustainable development can thus be pursued both efficiently and effectively at regional level, integrated within the broader national and cross-border context and customized in alignment with smaller local territorial divisions. Regions are rather homogenous territories, which distinguish from neighboring areas through a number of particularities. These can be defined in terms of population structure, level of education, natural resources, shared values, economic profile, and so on (Nijkamp and Vreeker, 1999). The similarities enhance the assessment of strengths and weaknesses, and allow the proper identification of opportunities and threats. In this way, the interests of local communities and prominent economic sectors can be better mitigated and considered in planning and decision making, avoiding conflicting interests that turn into unproductive attitudes and actions.

Strategic cooperation at regional level is also enhanced by the opportunities for exchange of information, competition, experimentation, and mutual learning. Moreover, interregional cooperation takes place based on shared values and similarities, regardless of national political constraints. The delegation of power to decentralized governmental bodies for administration and control, which are authorized to enact regulations and policies customized against the needs of the region, is again an important benefit of pursuing sustainable development at sub-national level (Lhomel, 2003). The gathering and consolidation of the information is swift, and databases can be designed, analyzed and monitored more appropriately with respect to the natural, social and economic traits of the region. Authorities can support

the development of less favored communities or domains of activity by providing subsidies or incentives of other nature to existing or new entrepreneurs, and by offering economic consultancy services. Their endeavor stands more chances for success, thanks to the higher degree of homogeneity.

The drawbacks of regional policies mainly relate to the different perceptions of sustainability across the world and their integration within the broader context of sustainable development, entirely achievable only at global level. Hence, public institutions must prevent the formation of insular sustainable territories at the expense of others, identifying externalities that may be traded, such as pollution (Renn, Goble et al. 1998). The development of sustainable practices must consider each region's core competencies, since competitive advantages can only be achieved by focusing on strengths, instead of investing in fighting weaknesses.

Although all the authors we have reviewed address sustainable development from a global, unifying perspective, the precept according to which global thinking needs local acting is valid in this case as well. Regionalism becomes, then, a key issue in conceptualizing and understanding sustainable development.

Regionalism has its origins in the early geographic writings of Strabo, who assimilated the lands which were under the same imperial dominance as regions. The concept did not grow in importance until the end of the 19<sup>th</sup> century though, when it was suggested as a basis for organizing the territories of newly-formed nation states. Soon after, Darwinists defined the natural regions –homogenous lands in terms of relief, climate, and vegetation– and opened a new perspective on the relationship between humans and the environment. Little by little, the idea of region gained scope, encapsulating aspects of social and cultural similarity determined by historical evolutions.

However, it was not until the early 20<sup>th</sup> century that the concept of regional planning started to draw attention and distinguish as a new field of research, when visionary theoreticians tried to come up with complex integrated solutions for extensive problems. These researchers formulated ecological regionalism, a holistic approach of the possibilities for an equilibrated development of urban and rural communities. The theory of the growth pole is relevant here, suggesting that urban centers act as triggers of growth in rural surroundings, propelling economic development throughout the region (Buttler, 1975). Within this framework, the pole is responsible for the wellbeing of the neighboring localities, and its coordination function is of crucial importance.

Interest in regional planning increased with the expansion of capitalist economies and the knowledge-based society, giving rise to a “new regionalism”. The approach, recombining the ideas of previous concepts, was linked to regional economic development, explaining the role of regions in the global setting. Moreover, the principles it set were soon correlated with the concept of sustainable development, as this desiderate was being embraced throughout the world.

The main idea that can be drawn from this concept evolution is that regions describe a geographic, historical, cultural, social, and economic reality. Nowadays,

regionalism tries to cope with the increasing diversity of cultures and social manifestations densely integrated in the open global society. Thus, contemporary regional planning targets higher goals than a more balanced distribution of economic opportunities within national territories, fostering sustainable economic development and increasing regional competitiveness on the global market.

The economic wellbeing of geographical regions is influenced by numerous factors, which have been analyzed from different perspectives in various theories. Hence, from the standpoint of traditional theories such as the growth pole theory, the presence of developed labor markets and the concentration of economic activities – creating economies of scale- are important triggers of regional wealth (Soares and Marques, 2003). Another perspective considers that diversity in terms of economic sectors, technology, and even culture is conducive to innovation through the recombination of current ideas and processes. In such regions, the clash of norms and values teaches people about tolerance and flexibility, accommodating uncertainty and encouraging risky and innovative actions (Samitas and Kenourgios, 2005). Regions which are more complex and diverse stand a better chance to prosper.

The integration of the regions' innovative potential with the concept of local development gave the region specificity in economic growth and favored the development of competitive advantages through the establishment of partnerships. However, while relatively straightforward when applied to firms, the concept of competitiveness becomes ambiguous when applied to regions. The competitiveness of a region is built on the competitiveness of the firms within its boundaries, being related to their ability to sell products and services on the national and international markets so as to increase their profits and grow. Successful competition requires quality and novel products, superior organization of production, speed of delivery and quality of post-sale services (Fahy, 2002). Technological endowment is necessary, but not sufficient for regional economic prosperity. The capacity to innovate relies on more than just technical knowledge, and social capital is important in designing products and services that appeal to customers, improve their standard of living and contribute to regional economic development. Economic disparities between regions are expected to be smaller than the gap in innovativeness, but remain significant. However, at macroeconomic level, there is historical evidence that merely offering incentives for innovation in regions which score low in creating novelty hinders overall economic progress (Howells, 2005).

The rise of the regionalism in Romania took place in 1998, influenced by the promotion from the European Commission of the cause of regionalism, and gained momentum in March 2002, with the opening of the 21<sup>st</sup> chapter of negotiation for the integration in the European Union. In the beginning, the main problem was encountered in formulating a national concept of cohesion and regional development, while consolidating the existing legal and institutional system for regional coordination. Key priorities at the time were the strengthening of the role of regional planning, the creation of Regional Development Agencies – henceforth RDA – which are required to produce regional economic strategies, the design of Regional

Sustainable Development Frameworks setting out principles for other regional strategies (Lhomel, 2003), and the emergence of regional chambers of stakeholders, including local authorities, to provide a form of accountability mechanism for the rapidly expanding realm of regional strategic work.

Apart from the convergence objectives coordinated by the ERDF, Romania defined its own three main categories of less favored regions. The first priority is represented by territories which are traditionally underdeveloped, with high values of structural unemployment and many people working in agriculture, where the infrastructure is poor. The second category consists in areas where the industry is in decline, but the infrastructure is better and chances of recovery are greater. Finally, the third category is represented by the areas where the economy is dependent on dominant industries, such as energetic, chemical, since the lack of diversification increases the risk of collapse in case the main industry become unprofitable.

One of the strategies adopted by the Romanian authorities to promote the development of lagging behind regions was to attract foreign investment. Foreign Direct Investment –henceforth FDI- is a source of capital above what can be produced by the domestic economy, and it can be a vehicle for technology transfer, embodied in machinery and equipment and disembodied in terms of production and management know-how. Therefore, FDI per capita and growth are positively correlated, but rather than improving the investment climate, it requires that this is already positive. The largest amount of foreign capital inflows comes from the European Union and the United States of America.

All 8 Romanian regions of development qualify for convergence-oriented aid and are allowed to access Structural and Cohesion Funds. The amount to be distributed to Romania during 2007-2013 is of almost EUR 20 billion, among which 12.6 billions allocated as Structural Funds according to the first Objective of the cohesion policy, EUR 6.5 billions of Cohesion Funds and the rest for European territorial cooperation objective. There are, as well, financing schemes within the Common Agricultural Policy and Common Fisheries Policy of the European Union, their total estimated value being EUR 12 billions (MDLPL, 2007).

South West Oltenia, the region which is analyzed in our case study, is one of the least developed regions in innovative processes at European level, but it would be very complicated to effectively enhance innovation here across several sectors of activity. Contrarily, innovation should be encouraged in those economic sectors which are already prosperous at a broader level, building on core competencies without tackling geographic concentration.

Naturally, a European Union-wide policy for innovation in Aeolian energy would not benefit all regions, but it could be customized for implementation in each region with appropriate wind characteristics standing better chances for success. At microeconomic level, local authorities can design customized plans that seek innovation, such as the creation of „business incubators” –business innovation relay centers- that promote the transfer of knowledge through training and the establishment of collaborative networks. Moreover, they should guide individual businesses

regardless of economic sector to compete for, receive, absorb and integrate funds and programs developed at a national or EU level, increasing the „absorptive capacity” of their regions so as to alleviate the disparities in innovative capabilities.

Combining the two approaches, it results that both spatial and sector focus should be eventually pursued, by creating business parks or free-trade areas where a particular economic activity stands out as innovative. An illustration of this situation is the concentration of mechanical part producers in the proximity of Craiova, following the acquisition of the former Daewoo automotive company by Ford.

One of the most important factors underlying lagging competitiveness is the unfavorable sector structure of the economy, together with a lack of innovative capacity. Conversely, successful regions seem to present four main traits (Shapira and Youtie, 2006):

- Supply of information, communication and research infrastructures, together with quality of available labor, educational opportunities, and access to capital.
- Propensity of regional customers to become players in the regional innovation process through capacity for innovation.
- Quality of regional industrial fabric, i.e. subcontractors, suppliers of intermediate goods and equipment, and the social capital, i.e. norms, values and social conventions shared in daily interactions within the social network.
- Organization and managerial practices, as well as efficiency of public institutions.

It can be argued that regional communities and firms have become the building blocks of our increasingly connected world. An understanding of the development of economies under globalization requires the analysis of both local economic processes and their interaction in the changing global sphere of relationships. Despite the evolution of electronic means of telecommunication, tacit knowledge is still transmitted effectively only in face-to-face relations, creating clusters of managers with similar cognitive backgrounds, binding the “neighboring” businesses and building up economic networks at regional level. Successful clusters are open and flexible, being able to renew their knowledge base and sustain high growth rates (Rutten and Boekema, 2007). Hence, the competitiveness of a region is undoubtedly more than the mere sum of the average competitiveness of its firms.

Over the last decades there has been an increasing realization of the importance of SMEs to the development and health of regional economies. Competitive pressures from more efficient enterprises and imports, sector-specific decline, industrial restructuring and other factors in the marketplace lead to differential degrees of new firm formation across regions. The different rates of success across areas in meeting the challenges of a more flexible economic world and of attempting to overcome the effects of the decline of dominant plants has lead to research in the field. Many complex and subtle factors affect potential entrepreneurs and their ability to establish and nurture a company. Access to capital, the availability and provision of



appropriate property, and academic-industry links have been investigated (Renn, Goble, and Kastenholz, 1998).

The businesses which manage to prosper on the market are those able to capitalize on their sustainable competitive advantages, such as the value of their employees. The perspective of the organization which contributes to the permanent education of its employees provides an illustration of the positive impact manifested by the business environment over the sustainable development of the community.

### **3. Research methodology**

The research consists of two instruments of investigation. First, there is the interview with Mrs. Desdemona Popescu, from the Regional Development Agency – henceforth RDA – of South West Oltenia. The investigation continued with the survey of 38 businesses distributed in all five counties of the region, its findings representing the main contribution of this paper.

The interview, held in Craiova, was formulated to complete the portrait of the region's level of development and to identify the main indicators used in policy making to measure progress. It was also meant to provide an insight into the potential findings of the survey, and many questions were similar to those addressed to the managers. One of the questions tried to find out the experiential perception of the authorities on the strategic management capacity at enterprise level, but it eventually remained unanswered.

The structure of the discussion comprised three sections. The first section addressed the degree of economic development in the region and the skewness of wealth distribution, analyzing the causes for poor business performance and identifying which indicators are used to measure sustainability. The second section focused on dominant sectors of industry and their impact upon the region's evolution in the past and as future perspectives. Finally, the third section was dedicated to SMEs and their absorptive capacity of financing aid both before and after the European integration.

There are two underlying hypotheses that motivated the current research. The first hypothesis tries to explain poor business performance on account of improper strategic planning, mainly due to the managers' lack of awareness with respect to the internal and external environment. The second hypothesis tests for a link between strategic planning and organization's dedication to improving the quality of life of the local community in the spirit of sustainable development.

Several variables grouped in eight sections were established to check the empirical validity of the two hypotheses and grasp the managerial perception of regional development perspectives. In order for the investigation to be relevant, the variables had to cover a wide range of aspects, recording data about the company – section A – and the manager – section B –, opinions on the impact of European integration on business performance – section E –, on the level of economic development in the region – section F –, and on the role of the business community on

local and regional sustainable development – sections G and H. An essential part of the questionnaire seeks to find out whether managers in South West Oltenia are appropriately aware of the internal – section C – and external – section D – environment of their businesses, an essential condition for the capability of devising strategic plans. When deciding not to ask what and where the company would be in 3 or 5 years, the assumption was that managers who could diagnose the business environment appropriately can also devise plans based on complete and accurate information. It is not a sufficient condition for effective and efficient strategic management, but it represents a basic requirement in increasing the competitiveness on the common market, and most businesses in Oltenia do not meet it.

For some variables, the interviewees assigned marks from 1 to 10, while others bounded them to choose from up to 5 categories: very low, low, average, high, very high. Managers were also asked to order according to their influence different factors that affect business performance or the community. Dichotomous questions were formulated to evaluate the perception on structural aids. Since the main aim of the survey was to see if managers are aware of the strengths and weaknesses of their businesses and can spot opportunities on the market, various short open questions were designed. They were not meant to check the exact response given but rather its completeness and correct formulation. The list of variables was defined in SPSS.

The questionnaire was applied during the period June 13<sup>th</sup>, 2008 – June 23<sup>rd</sup>, 2008. Thanks to the fact that the investigation took place within 10 days, the collected data reflect the current opinion on the issues under analysis in a consistent manner. The right to confidentiality was preserved by allowing interviewees not to place the firm stamp together with the manager's signature. The sample population was set at 38 companies, and the distribution in the counties of Oltenia was made according to the enterprise density, i.e. the number of enterprises per 1,000 inhabitants in each county. Within the counties, sampling was random, only taking care to cover as many different fields of activity as possible.

The managers were invited to fill in their answers according to the instructions mentioned on the first page of the questionnaire when they came to the county Environmental Protection Agencies, if there were idle times before someone took care of their problems. This method of surveying was chosen because it implied that managers could take their time to fill in their answers, because businesses from throughout the counties come to the agencies every day and the sample population is more diverse, and because the agencies agreed to help in the endeavor thanks to its orientation towards sustainable development. Some questionnaires, especially from Târgu Jiu, were filled in on the computer at the organizations' headquarters.

## 4. Results and discussions

Section A of the questionnaire collected information about the enterprises that were surveyed. The first variable recorded the location of the company's headquarters, showing that only 21% were not based in the county capitals. The county with most companies from outside the pole of growth was Dolj, where 33.3% of the headquarters

were not in Craiova. This supports the idea that Dolj is the country with the most developed business infrastructure in the region. In Mehedinți, on the contrary, all companies were based in Drobeta Turnu Severin. It follows that, if the results of the survey are satisfactory for this sample, the situation might actually be worse when adding more remote companies. On the contrary, if results are unsatisfactory for these firms, then the situation is even more unfavorable for the entire region.

The second variable collected information about the main field of activity of the surveyed organizations. The sample covers 25 different fields of activity, with three companies performing in the textiles industry. There were two companies from each of the following business domains: retail, tourism, transport, constructions, IT services, dairy products, pharmacy, printing, building materials, car service, and road building. The diversity of the sample population increases the relevance of the survey.

Only one manager declared that the major source of the start-up capital came from a bank credit, while 97.4% of the businesses were initially financed with personal contributions from the entrepreneur or the shareholders. This is an obvious proof that the banking infrastructure in Oltenia is severely underdeveloped, failing to support the business initiative. Entrepreneurs avoid relying on credits when venturing into business and one possible explanation for this reticence is their impossibility to guarantee for the start-up credits. Such a plausible scenario explains as well the low number of start-ups in Oltenia as compared to the other Romanian regions.

Half of the businesses surveyed in Gorj registered turnovers of more than EUR 1 million in 2007, while in Dolj all enterprises had turnovers below EUR 500,000. In Vâlcea, four out of eight businesses produced more than EUR 500,000. Despite the differences between counties, at regional level the sample population is equilibrated with respect to turnover, since one third of the respondents produce less than EUR 100,000, another third between EUR 100,000 and EUR 500,000 and the rest more than EUR 500,000. This equilibrium enhances testing for influences of turnover size on elements of strategic planning or involvement in sustainable development.

The number of employees in the sample is 1,194, with 31 people on average in each firm, a figure specific for the small enterprises. In fact, 55% of the businesses are small enterprises and another 16% are medium enterprises, confirming the focus of the survey on SMEs. The rest of 29% are microenterprises, a lot less than the 93.26% share characteristic for Oltenia, and in none of the organizations work more than 250 people. Thus, the size of the firms is above average, and the bigger the company, the more stringent the need for planning. If it turns out that SMEs neglect strategic management, then the entrepreneurs in microenterprises, representing the vast majority of businesses in Romania, are even less likely to appreciate strategic thinking.

The last variable from Section A recorded the share of turnover generated by activities performed in South West Oltenia, since companies which are only based in the region were not considered for the rest of the survey. Three out of the 38 companies, one in Slatina and two from Râmnicu Vâlcea, declared that less than half of their turnover is obtained in South West Oltenia. Consequently, all the other subchapters are based on the interpretation of data from 35 firms.

In section B, the first variable registered the managers' age, with no assumption regarding management experience. The rationale is that older managers have spent much of their life in a communist regime, and should be more accustomed to planning than their younger counterparts. Their openness to innovation and knowledge-driven activities is low, but they might be more active in promoting sustainable development within the local communities. The sample population shows that only a quarter of the managers are more than 50 years old and some 5% are still in their twenties. The largest share consists of managers aged 30 to 50.

Concerning their management experience, 40% of the managers have been holding key positions for 10 to 20 years, mainly due to the fact that private initiative started 18 years ago in Romania. Another 20% of the interviewed managers declared at least 20 years of management experience, potentially treasuring strategic thinking more. The rest of the managers have been in business for less than 10 years, and their uniform distribution among the categories "less than 3 years", "3 to 5 years", and "5 to 10 years" suggests that the number of business start-ups since 2000 was rather constant in Oltenia.

The following variable recorded the highest level of education graduated by the manager, assuming that strategic thinking is essentially linked to schooling. In South West Oltenia, half of the managers have at most graduated high-school, according to the statistics provided for 2004 in the White Charta of Romanian SMEs. In the survey sample, 81% of the managers have at least a bachelor degree, their ability to analyze and understand the business environment being superior to the skills of most entrepreneurs in Oltenia. Hence, if managers in this sample fail to diagnose their business appropriately, it is unlikely that other managers in the region could do any better.

8% of the interviewed managers have inherited the business they are running, and another 16% have been hired to do it. The professional managers are expected to focus on financial gains and neglect the impact of the organization on sustainable development and local communities. Most of the managers have started the business they coordinate, but strategic thinking and the involvement in sustainable development cannot be correlated with this aspect.

In Section C, three questions were formulated in order to grasp the managers' capacity to understand the internal environment of their businesses. The other four assessed the investment in human capital and innovativeness, the most important assets of the knowledge-based society.

One of the most important variables in the entire questionnaire sought to find out whether managers in Oltenia are capable to formulate the business mission completely and correctly. This is a basic pre-condition for strategic management, since the mission statement helps framing the company's goals and objectives. Managers who have no vision of their business are unlikely to dedicate to strategic planning, whether they contribute to sustainable development or not, as presented in Table 1.

Table 1

**Managers' capacity to formulate correctly the vision/mission of the company, by county**

| Manager knows and formulates correctly the company vision/mission | Headquarters -county |    |    |    |    | Total |
|---|----------------------|----|----|----|----|-------|
|   | DJ                   | GJ | MH | OT | VL |       |
| Unknown, no vision/mission  | 0                    | 1  | 2  | 2  | 0  | 5     |
| Known but incorrectly formulated vision/mission                   | 5                    | 2  | 4  | 2  | 5  | 18    |
| Known and correctly formulated vision/mission                     | 4                    | 5  | 1  | 1  | 1  | 12    |
| Total   | 9                    | 8  | 7  | 5  | 6  | 35    |

According to the survey, only 34% of the managers have a clear vision of their business, while half of them can merely identify some goals and objectives of their organization. The rest of 14% have not responded to the question, indicating that their vision is to survive and make money. Most managers from the latter category come from Mehedinți and Olt, while 75% of the managers who responded as expected are in Gorj and Dolj. 46% of the managers who have less than 10 years of experience have correctly formulated the mission of their company, but only 12% of those with more than 20 years experience succeeded in doing so, as in Table 2 below.

Table 2

**Managers' capacity to formulate correctly the vision/mission of the company, by management experience**

| Manager knows and formulates correctly the company vision/mission | Management experience of the manager, expressed in years |           |            |             |                    | Total |
|---|--|-----------|------------|-------------|--------------------|-------|
|   | less than 3 years  | 3-5 years | 5-10 years | 10-20 years | more than 20 years |       |
| Unknown, no vision/mission  | 1  | 1         | 0          | 2           | 1                  | 5     |
| Known but incorrectly formulated vision/mission                   | 2  | 1         | 2          | 7           | 6                  | 18    |
| Known and correctly formulated vision/mission                     | 0  | 2         | 4          | 5           | 1                  | 12    |
| Total   | 3  | 4         | 6          | 14          | 8                  | 35    |

The level of education has a strong say on the managers' ability to orientate the business, as none of the entrepreneurs without tertiary education answered correctly. Imagine that in Oltenia half of the entrepreneurs are in this situation. Fortunately, 48% of the university graduates gave appropriate answers to this question, providing as much as 91% of the accepted formulations, as presented in Table 3.

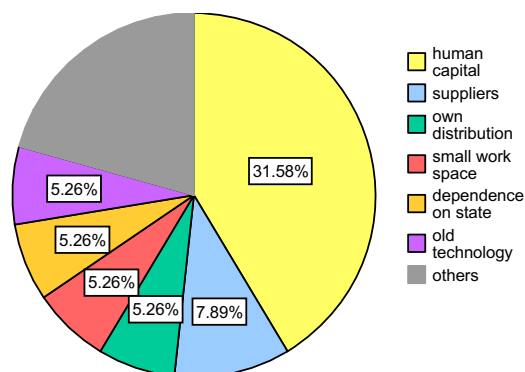
Table 3

**Managers' capacity to formulate correctly the vision/mission of the company,  
by level of education**

| Manager knows and formulates correctly the company vision/mission | Last form of education graduated |                       |                 |                | Total |
|---|----------------------------------|-----------------------|-----------------|----------------|-------|
|   | graduated 4 classes              | graduated high-school | bachelor degree | master studies |       |
| Unknown, no vision/mission  | 0                                | 1                     | 3               | 1              | 5     |
| Known but incorrectly formulated vision/mission                   | 1                                | 4                     | 9               | 4              | 18    |
| Known and correctly formulated vision/mission                     | 0                                | 0                     | 11              | 1              | 12    |
| Total   | 1                                | 5                     | 23              | 6              | 35    |

In this context, the best managers have undergraduate education, and 5 to 10 years of management experience.

The second question was designed to scout for the managers' opinions on the businesses' strengths. 24% of the respondents mentioned human capital as the main strength of the company, thanks to the professionalism and experience of the employees. The diligence of management is regarded as the essential factor for business performance by 18% of the managers, while care for quality is most praised in 13% of the companies. Among the other strengths mentioned in the survey, the most frequent answers referred to the location of the business and customer service, as in Figure 1.



**Figure 1. Main strength of the business**

When asked about the major weakness of the firm, 32% of the businessmen blamed the human capital for business failures, complaining about not trusting the employees or their skills. In fact, human capital was the only weakness mentioned repeatedly by the interviewees, leading to the conclusion that employees are indeed perceived as an essential resource of the business in companies from Oltenia.

However, since labor is usually unskilled, the manager's talent to find competent people seems to be what turns human capital into a major strength or a terrible weakness. Among the other weaknesses faced by companies in South West Oltenia, managers pointed at their dysfunctional supplier networks, old production technology, insufficient space for carrying out the activities appropriately, or dependence on state regulations, as seen in Figure 2.

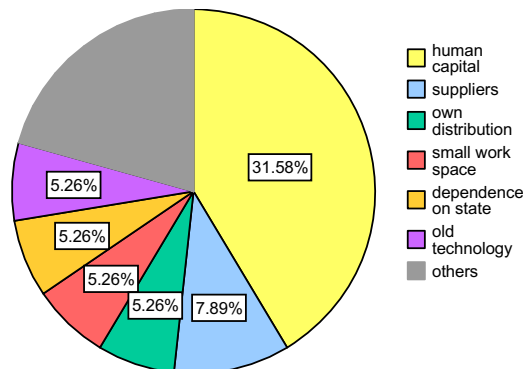


Figure 2. Main weakness of the business

The following question revealed the three most important competitive advantages of the companies from South West Oltenia. Human capital is mentioned first, by 25% of the managers, confirming the predominant opinion on the companies' main strength. The second competitive advantage mentioned by the surveyed managers is financial capital, a rather surprising answer given the huge levels of debt characteristic for the region. From this perspective, the companies in the sample appear to be again privileged in comparison with the majority of businesses from Oltenia. As previously explained, if these companies are underperforming in strategic planning, the overall situation is for sure worse. Finally, the third competitive advantage in importance is represented by the relationship with the suppliers, followed closely by production equipment.

Hence, only one third of the respondents formulate correctly the company mission, but in general the managers acknowledge the importance of their human capital in the overall business performance. In order to better assess the strategic approach of the internal environment, the next question tries to see whether the managers build on their knowledge of strengths and weaknesses and invest in human capital accordingly.

The variable which records the share of turnover spent yearly on training reveals that 37% of the organizations in the sample invest less than 1% of revenues in their employees and 15 allocate between 1% and 5% of earnings for personnel development. Only 20% of the firms pay at least 5% of their income on increasing the worth of the employees, and they all identified either human capital or management diligence as the main strength of the company. In general, the entrepreneurs who

consider human capital to be an important asset spend more on training. Conversely, 54% of the managers who do not invest in training consider that human capital is the major weakness of their company. The situation is alarming, as it means that the companies with skilled labor become more competitive while the others are stuck with unqualified personnel. Fortunately, half of the companies which spend on trainings more than 10% of revenues are also companies where human capital is the major weakness, rebalancing the trend a little.

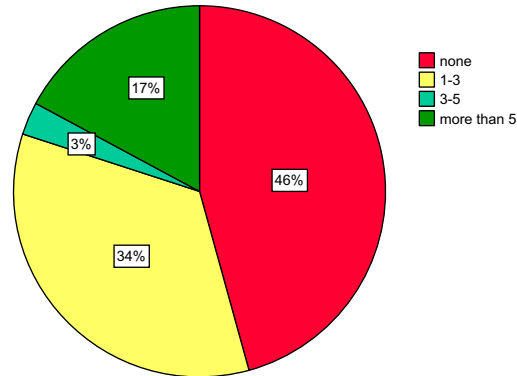
Another indicator of the managers' awareness of human capital worth is spending with the employees' health and security. Such expenses represent 1% to 5% of the annual turnover in 43% of the surveyed companies, but half of them allocate more than 5% for this purpose. This shows that the budget allocated for health and work security is considerably influenced by the perception of human capital as an essential asset of the organization, regardless of whether it represents the major weakness or strength.

Permanent innovation is considered an efficient way to secure sustainable competitive advantages on the common market. Thus, with the integration in the European Union, Romanian companies must come up with unique products and strong brands in order to face the increasing competitiveness. The next variable analyzed the share of turnover invested by the companies in South West Oltenia in research and development. The macroeconomic indicator on expenses with innovation showed huge discrepancies between the counties in the region, so the statistics are analyzed by county. The results indicate that more than half of the firms do not invest in innovation. At the other extreme, 25% of the businesses allocate more than 10% of their revenues to innovative processes or marketing plans. Companies based in Vâlcea score best in innovativeness and in Gorj only 25% of businesses spend more than 5% of the income on research, but there are no other significant differences between the counties.

Too many companies in Oltenia, 46% in the survey sample, do not bring anything new on the market, and this is due to the lack of trained personnel capable to create knowledge -42%, to the absence of cheap financing for research activities -37% or to the focus on other investment priorities, such as the acquisition of modern technology and expansion of the business -21%. It is interesting to notice, however, that one quarter of the companies invest more than 10% of the turnover in research and development with no results. Conversely, half of the companies which present on the market at least 5 exclusive products/services do not currently invest in innovation. 34% of the firms claim to offer 1 to 3 unique products on the market, as presented in Figure 3.

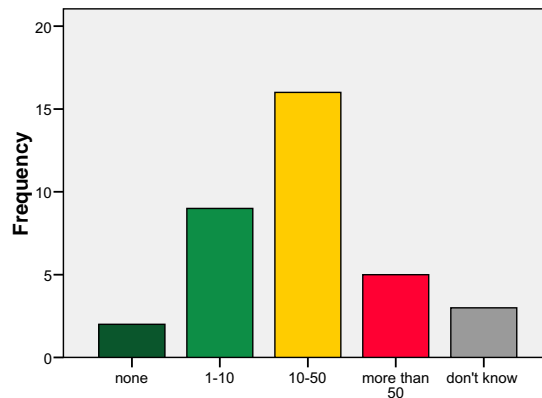
Section D was dedicated to the analysis of the companies' external environment. The first question revealed the number of competitors for each company, while the next asked managers to identify the main current opportunity for their business. Following this essential inquiry, two variables recorded the dominant industry in the region and the company's dependency relative to it. Finally, since Oltenia is the single Romanian region with foreign trade surplus, the export activities of the sampled businesses were evaluated.





**Figure 3.** Number of unique products/services

Most companies have between 10 and 50 competitors on their target markets and need to be very good at differentiating their offer in order to keep the business profitable. With less than 10 competitors on the market, 26% of the firms stand a little better, since supply and demand are more equilibrated in their field of activity and they are not under urgent pressure to increase their competitiveness. On the contrary, 5 out of the 35 respondents admitted they are doing business in oversaturated markets, with more than 50 competitors, as seen in Figure 4.

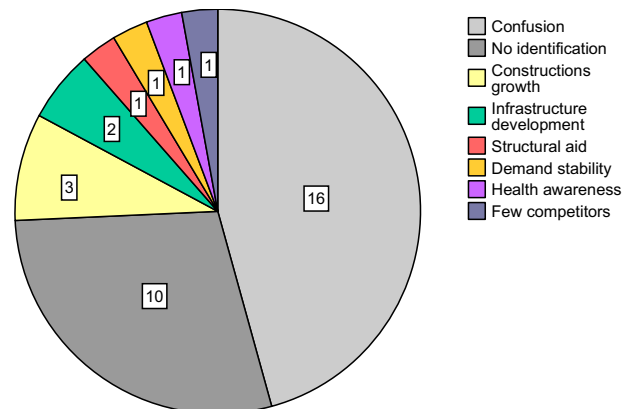


**Figure 4.** Number of competitors on the market

Their survival depends on the ability to bring new products and high value added services to their customers. Two companies in the sample have no competitors on the market, at least for the moment or to their knowledge, and this is an extraordinary opportunity for business development.

Identifying the main opportunity on the market represented the key assignment of this section, a counterpart to the formulation of the vision/mission.

The fact that 28% of the managers were not capable to answer to this question raises a serious concern on their ability to understand the market. In another 46% of the cases, the answers were inappropriate, mentioning strengths of the internal environment instead of favorable characteristics of the external setting. This situation can be explained by the managers' tacit understanding of the internal mechanisms of the business and the more complex and costly process of diagnosing the milieu in which the firm carries out its daily activities. Only 26% of the managers identified the potentially positive influence of the market on the prosperity of their business, 8 percentage points less than the share of managers who could formulate the company's mission appropriately. It should be mentioned that the two categories do not necessarily coincide. The main opportunities for development in South West Oltenia, as identified by some of the interviewed managers, are the tremendous growth rate in constructions, the massive investment in infrastructure, the availability of European structural aid, and the stability of demand – see Figure 5.



**Figure 5.** Main opportunities on the market

There are several industries in Oltenia which could be regarded as dominant due to their strong backward and forward linkages with other fields of activity. In Dolj, machine building is going to grow in importance thanks to Ford's acquisition of the former car producer, Daewoo; in Olt, the recent privatization of Alro Slatina promises to influence positively many businesses adjacent to metallurgy, while in Râmnicu Vâlcea the state-owned chemical plant Oltchim is still prosperous. Gorj County is largely dependent on the mining and energetic industries, which provide jobs for more than 15% of the population and generate others in dependent industries. Mehedinți hosts the most powerful hydroelectric plants in Romania, Porțile de Fier I and II, and the county depends on the energetic industry. During the survey, the respondents identified these industries correctly, and an interesting result came from Dolj, where one third of the respondents indicated other dominant economic sectors in the region, such as agriculture. This proves that in Dolj there can be several industrial poles of growth, confirming the leading role of the county in the economy of the region.

The businesses which are directly dependent on a dominant industry are usually large or medium size organizations situated in the geographic proximity of the main player, hence the share of companies dependent on a dominant industry is small, while the number of employees reliant on it is bigger. There were 6 medium size firms in the sample, so the share of entirely dependent and partly dependent organizations is quite high, 31.5%. In Vâlcea, all the companies are independent from the dominant chemical industry, while in Mehedinți it looks like only 28% of the companies are not influenced by the energetic sector. On average, 57% of the companies in South West Oltenia are independent from any dominant industry.

Exports may be 1.62 times higher than imports in Oltenia, but SMEs have almost no say in this matter, since it is energy that accounts for nearly all sales abroad. The survey confirms the underdevelopment of cross border flows of goods and services, since only 2 companies –both in the textiles industry, working for Italian or German partners- responded that they export their products. The main factors which determine the managers in South West Oltenia not to export are: the production capacity is smaller than demand on regional and national markets -57%, problems with logistics -43%, the lack of financing necessary for consultancy services or business expansion related to targeting new markets -43%, the regional specificity of the products/services of the company -36%, and the lack of knowledge of the foreign market -36%.

In Section E, the external business environment was perceived through the perspective of European integration. As shown in Figure 6, 12 out of 21 managers who answered to question E1 consider that Romania's membership in the communities influences the business positively, whereas only 2 complained of negative consequences, both from Gorj County.

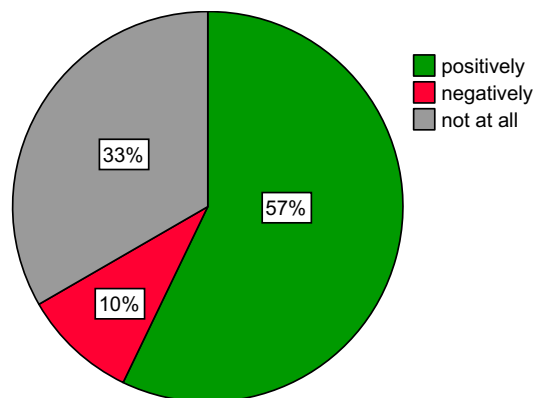
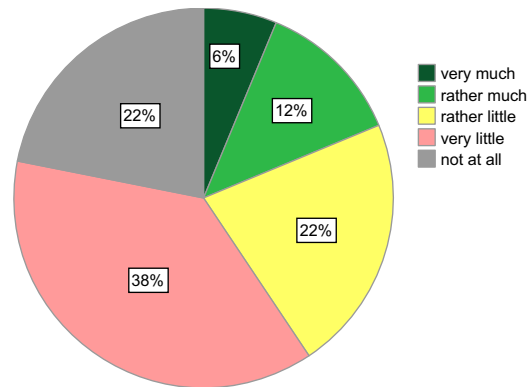


Figure 6. How has the EU accession influenced your business

The respondents claim that positive influences are more pronounced than negative ones. After three semesters of presence on the common market, 7 out of 32 enterprises in South West Oltenia have not seen the European footprint on their activity, 12 other companies only resented small influences, and 18% passed through

important changes in their daily operations as a result of European integration, as in Figure 7.



**Figure 7.** How much has the EU accession influenced your business

This situation can be easily explained by the remoteness of the region with respect to the European economy and the short time for significant changes to have occurred.

One of the most important positive influences brought about by the integration stems from the availability of structural funds for investment, especially during the period 2007-2013. Apart from the consistent funds allocated to the local authorities for the development of regional infrastructure, important amounts are directed towards the business environment, supporting the entrepreneurial initiative. Project-based co-financing is available in most fields of activity, and the companies from South West Oltenia should take advantage of the amounts at their disposal in order to increase their competitiveness on the common market.

This is the reason why managers were asked whether they were aware of the procedure for accessing structural funds. Only one quarter responded “No”, showing that there is increased interest in the opportunities of co-financing. Among the 9 managers unaware of the procedure, a third complained about difficult access to information, despite free consultancy is provided at the County Chambers of Commerce, while the other 6 did not need such information up to now. All the managers from Vâlcea and almost all in Mehedinți know the mechanisms of structural aid programs. On the contrary, in Craiova, only 55% of the managers are properly informed. With respect to the managers’ level of education, all those who pursued master studies but only half of those who have no tertiary education are able to submit projects for the allocation of European convergence funds.

Since the Regional Operational Program was launched in Craiova, 20% of the businesses in the sample have submitted projects in order to receive financial support for their development priorities. These companies are equally distributed in Vâlcea, Gorj, Mehedinți, and Olt, but none of them is from Dolj. 60% of these firms plan to access co-financing schemes again in the near future. From the 28 companies which

did not apply for European convergence funds, 8 are not even planning to do it -6 because they do not need such financing, one because the manager does not know how to write the project, and another due to the lack of own capital to cover for the rest of the amount. One third of the managers in Dolj and Vâlcea and 43% of those in Mehedinți are not going to apply for structural financing for one of the reasons mentioned above, but all firms from the Gorj sample might be benefiting from European financial assistance according to their managers.

The last question uncovered the plans had in mind by the managers from Oltenia in order to face the increased competitiveness on the common market. As depicted by Figure 8, 41% answered that their approach to this challenge would be an increase in the quality of their offer, including better marketing of the products/services.

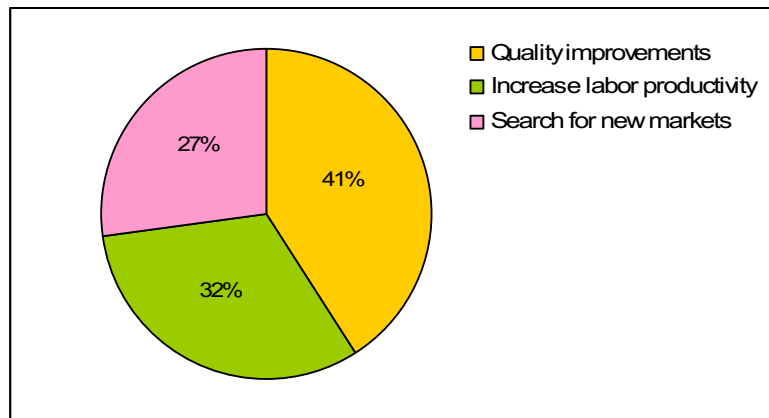


Figure 8. Ways to face increasing competition on the common market

Labor productivity in Oltenia is among the lowest in the country and even worse compared to European averages, and the respondents seem to be aware of this situation, as long as 32% consider that new technology must replace the overused production equipment, so as to reduce costs, improve quality, and switch to more skilled workforce. The rest of 27% of the respondents suggested that they would eventually seek for new markets for their products, even though the weakest competition still seems to be in Oltenia in terms of product quality and labor productivity. However, if these managers succeed in creating appealing products at lower costs, they might gain a competitive advantage over their competitors on potential new target markets.

The first question in section F collected the managers' opinion on economic development in the region, as compared to the rest of Romania. Most of the interviewees, 42.9%, consider that the economy is performing worse than the national average, and an additional 20% expressed their belief that South West Oltenia's development is very low as compared to the other seven Romanian regions of development. They have not seen tables with indicators showing the very same thing,

but their perception is even more pertinent than figures. Only 8.6% of the respondents said that Oltenia is more developed than the rest of the country, while merely a third comfortably decided that the region stands no better and no worse than the country, at the back of the European Union that is. The answers to this question show that managers are not satisfied with the opportunities for business in the region, and this might now explain part of the blank answers at question D2. Most answers “very low” came from Mehedinți County, while the only answers “high” were recorded in Olt, where it seems that many companies carry out much of the activities in other regions, mainly South Muntenia and Bucharest. However, since most county indicators show that Olt is severely underdeveloped, it is doubtful that the answers reflect reality, being a lack of understanding by the managers of the external business environment.

The survey next asked for the reasons why the region is less favored than other Romanian provinces. The managers had to choose the main cause for the development problems from a list of 5 potential sources: the political factor manifested through the administrative capacity and its enhancement of stability or not; the significant influence of dominant sectors of activity on the region’s economy – energetic, mining, metallurgic; the state of transport infrastructure and the connections to European networks; the unfavorable geographic positioning of the region, near territories which are also underdeveloped –Bulgaria and Serbia; and the lack of trust between business partners. Managers were advised to specify another cause if they felt none of the five answer choices would answer the question.

The majority of businessmen, 54%, blame political authorities for the current state of development in Oltenia, assuming that the policy makers in other provinces are more capable to foster economic growth. The RDA does not totally disagree with this opinion, suggesting that the local authorities should devise more and better incentives to attract foreign capital and know-how. All the other suggested causes for the region’s backwardness received almost equal credit. The dominance of unsustainable industries was more frequently mentioned, with 14% of answer choices. Despite the fact that in Oltenia the transport infrastructure is in a better state than the national average, the third explanation was that the region is not appropriately connected to the European transport network. As long as the expressways are under slow-paced construction and the bridge over the Danube in Calafat remains a project, the manager’s opinion is well grounded.

Since South West Oltenia is less developed than most other Romanian provinces and the political factor is the main cause for this situation, what is going to happen next? Managers are rather pessimistic and believe Oltenia would stagnate in its state of backwardness as compared to the rest of the country. Almost 46% consider that the gaps in development would widen during the next 10 years, and 40% think the regional economy can grow just as much as the Romanian economy does. Only 14% of the managers in the sample said that Oltenia would catch up with other Romanian regions on the medium run. An interesting remark is related to the correlation between the perceived state of development and the expected rate of growth, showing extremely pessimistic managers – very low level of development and a rate of growth way below the Romanian average –, as well as too optimistic

ones – higher than average level of development and faster rate of development than the rest of the country.

The last variable in Sector F identified that the economic sector with the highest potential for growth in the region over the next 20 years is tourism. About one quarter of the managers in each of the five counties supported this opinion. The energetic sector comes next with respect to the opportunities for development, with 23% of the managers' choices, but opinions were more skewed since only respondents from Vâlcea and 62.5% of those in Gorj gave this answer. In Dolj County, 45% of the respondents believe that the agriculture has the greatest potential for growth, followed by car manufacturing in Craiova. Finally, in Olt, Mehedinți, and Vâlcea, the answers were more diverse, suggesting that there are several potential directions of development, unlike in counties like Dolj and Gorj where few dominant industries prevail.

According to European and Romanian officials, the gaps in sustainable development at regional level are not very pronounced, even though Bucharest displays a GDP per capita three times higher than in North East. The veritable differences are registered within each region, between urban and rural communities. Starting from this premise, the first question in Section G tried to understand who should be the engine of rural development and play the essential role in alleviating the urban-rural discrepancies. Hence, the managers were asked to rank in order of importance three actors which could fuel the rural business initiative, namely the local authorities supported by county authorities, the rural entrepreneurs, and the urban businessmen seeking to invest in rural production facilities.

It looks like managers in South West Oltenia are convinced that the biggest responsible for the poverty of rural communities are the local political authorities. 42% of the interviewees claim that policy makers should become the engine of economic prosperity in the villages, while 33% believe that rural business initiative, coming from local entrepreneurs, should contribute most to the economic development of the countryside, either by expanding services, by opening industrial facilities or by modernizing the agriculture. The remaining quarter supported the idea that urban based businesses should act as poles of growth and lead to the development of surrounding rural communities, a perspective embraced by the European Union, but difficult to apply where on large territories there are no real poles of growth.

Sustainable development can be defined as economic growth without harming the natural ecosystems, so the next variable measures the impact of the businesses' field of activity on the environment, at least from the management perspective. Since the sample population includes a variety of activities, it could be argued that the result is representative for the entire region. 43% of the surveyed enterprises have a very low impact on the environment, and 34% generate little negative consequences on the surrounding ecosystems. There is an average harmful impact upon the environment from the part of 17% of the companies in South West Oltenia, while the rest of 6% change natural conditions significantly. Taking into account the predominance of old technology in the regional industry, these values suggest that the impact of the economic sector on the carrying capacity of the ecosystems is encouragingly low.

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As the pollutant industries have started to comply with the environment protection standards established by the European Union, the quality of life would probably see important improvements from this perspective over the next few years.

The last question in Section G asked managers whether a “business incubator” near their headquarters would prove useful for the local community. Business networks are very rare in the region, and it is interesting to see whether this lack of clustering is determined by the managers’ unawareness of the importance of partnerships and cooperation between entrepreneurs. Results reveal that only 17% of the respondents consider that a community of local entrepreneurs would prove of little use for the local economy. In fact, 83% of the managers believe that local business networks would prove useful or very useful for the prosperity of the community. In this case, the lack of firm clusters in Oltenia –except maybe for those related to the dominant industries- can be regarded as a consequence of bad policy making, supporting the entrepreneurs’ claims that they are not encouraged by the local authorities.

The last section of the survey analyzes the actual role of the organizations in promoting the wellbeing of all stakeholders in the society. The managers were asked to assign a mark from 1 – very little to 10 – very much for the extent to which the organization they represent is involved effectively in 11 types of contributions to the sustainable development of the local communities:

- a) education, through investments in employees;
- b) education, through partnerships with education institutions in the locality;
- c) education, through the relation established with the customers/consumers;
- d) natural environment, through collecting/recycling part of the generated wastes;
- e) natural environment, through activities of environment regeneration;
- f) natural environment, through saving water/energy, possibly by investing in technology;
- g) standard of living, by offering products/services with high added value/of good quality;
- h) standard of living, by motivating employees through flexible work remuneration;
- i) standard of living, through the creation of new jobs;
- j) health, by complying with the European standards of work security conditions;
- k) health, by offering private medical insurance to the employees.

For the first variable, education through investment in employees, the average score of 5.1 indicates that the average business in South West Oltenia does not invest enough in its human capital or, at least, these investments are not resented on the wellbeing of the community. Most managers do not contribute at all to the improvement of their employees’ skills, so the workforce in the region remains inappropriately qualified. Half of the companies which invest more than 5% of their turnover on employee trainings do not consider that they contribute to the wellbeing of the society in this manner, while 27% of those which invest little in their employees



believe they contribute considerably to the development of the community. The companies in the quartile which assigned marks higher than 8 to this indicator bring hope that at least some of the enterprises would know how to make proper use of their most valuable assets.

The second variable, education through partnerships with education institutions received an average mark of 3.5, suggesting that companies do not see education institutions as a relevant pool of qualified personnel in the future. This is the variable which recorded the smallest score among all those tracked in the survey. Complaining about workforce potential without making enough investments in employee training and without collaborating with high-schools in order to discover talented children and develop skills needed on the labor market is not going to improve the situation. Unfortunately, more than half of the businesses in Oltenia do not understand this at all, while the others are only sporadically involved in educational activities.

Thirdly, companies were asked how much they contribute to sustainable development in the local community by educating their customers through the company-client relationships. The results are rather encouraging if the self-evaluation is accurate, since the average score is 6.1 and most managers consider that they convey to their customers quality products, useful messages, and valuable lessons of interaction. In this way, the community benefits from an increased life standard thanks to the company's presence on the market.

More than half of the organizations under analysis do not protect the natural environment by collecting their waste on categories of materials and recycling it, and only a quarter of them make some efforts in this direction. As long as the public administration does not promote such initiatives and provides little possibilities for recycling even for industrial amounts of waste, the organizations cannot be blamed for their attitude. The average score is 5.2, a little higher than the one recorded for education through employee training.

The fifth variable, natural environment through activities of environment regeneration, received a score almost as low as education through partnerships with education institutions, the mean being only 3.7. More than half of the companies in Oltenia do not do anything in order to clean the surrounding natural ecosystems, while the others occasionally involve in spontaneous such campaigns. 80% of the companies which do invest in a cleaner environment only impact the natural cycles little or very little. The low interest in natural preservation can be explained by the poverty in the region and lack of competitiveness of the organizations.

The situation is a little brighter when it comes to measures taken to use resources such as water and energy efficiently. The average score for indicator **f** is 5.3, since more than a quarter of the enterprises do nothing in this respect, but the better quarter takes such measures seriously. The rationale for investing in technologies and developing practices that reduce average output consumption might be financial, but the benefits are transmitted to the entire society, and not just at local level. Again, the companies which damage the environment the least are the most active in implementing energy saving technologies.

By imposing quality standards such as ISO 9001, many companies in Oltenia are starting to create and provide high added value products and services, enhancing the standard of living of the society. There are still many steps to be taken, because the old technology and unskilled labor generate defects in the production cycles or leave the customers unpleased. However, the mean score 6 and the 75% percentile score 9 suggest that companies have finally shifted, at least in attitude, towards better quality, highly competitive products and services.

The highest scores among the 11 variables in Section H were recorded for indicators **i** and **j**. The result is encouraging, unless it is overestimated. Indeed, businesses play an active role in the sustainable development of the local communities by creating new jobs, but job creation is conditioned by business growth, which in turn depends on local market conditions and company prosperity. The business environment in Oltenia does register rapid growth in reducing the huge development lag against other European regions, but it is doubtful that the average score 7.1 reflects the real situation. After all, unemployment in Oltenia is among the highest in the country. As for the compliance with European standards of work and health security, the very fact that a quarter of the companies assigned scores lower than 7 suggests that not even legislation which contributes to sustainable development is respected. Most businesses in Oltenia cannot afford to pay for private medical insurance for their employees, and the low score registered here is a reflection of the poor sanitary infrastructure and medical care in Romania and in the region.

## 5. Conclusions

The whole logical flow derived from the theoretical background was reversed during the research, testing whether the incapacity for strategic planning results in poor contribution to sustainable development. According to official European statistics, Romania is a perfect example for studying the lack of sustainable development, and South West Oltenia distinguishes as one of the poorest regions in the entire European Union. However, the label of “less favored region” was not attached only in virtue of these reports. Admitting that Romania was a late entrant in the EU due to its backwardness in numerous respects, the paper analyzes a complete set of custom indicators based on data collected in Romania at regional level to identify the domains in which South West Oltenia stands worst among the national regions of development. This analysis is an important contribution of the paper to the diagnosis of the region’s current level and perspectives for future development.

The analysis of six indicators revealed that South West Oltenia has one of the weakest business infrastructures in Romania and that management capabilities are poor. Oltenia has the largest share of microenterprises, proof that new businesses are not prosperous enough to expand and turn into SMEs, and the smallest share of large companies, suggesting dependence on dominant industries. The average turnover per business unit for all categories of enterprises is the smallest in the country, and as a consequence Oltenia has the largest share of unprofitable companies. The interview with a representative from the Regional Development Agency from Craiova explained

this poor performance through the lack of business clusters and the “isolation” of the area with respect to exchanges of goods, services and ideas with other regions.

However, one indicator contrasted with all the others, and its analysis ended with the redesigning of the questionnaire used in the research. According to official data presented in the White Charta of Romanian SMEs, the companies in South West Oltenia stand better than any other region in strategic planning. Since they have the worst economic performance in the whole country, the only explanation for the surprising result is that their plans are not formulated appropriately or they are fairly good but implementation is done wrong. The first explanation is more plausible though, and the questionnaire was reframed accordingly.

The main contribution of this paper is the survey in which we have examined the managerial ability of the businessmen from South West Oltenia to analyze the internal and external environments of their enterprises, trying to establish a correlation between the appropriateness of this basic step in strategic planning and the involvement of the organization in the sustainable development of the local community. The premise which led to this endeavor is that managers who do not have a clear vision of the business and fail to understand the external factors which affect the company are unable to build on their tacit knowledge of the organization's strengths and weaknesses, failing to take full advantage of the core competencies and make the business prosperous. The outcome of such a situation is that the company's contribution to the welfare of the community is rather low, since energy is channeled towards survival or short-run maximization of profits through opportunistic and chaotic behavior.

The paper also considers the perception of the business community on the regional level of sustainable development, seeking for the main cause why South West Oltenia is among the least favored regions in Romania and the European Union. This investigation is motivated by the theoretical premises of the research, namely the idea that the business community is the engine of economic growth and the main factor for sustainable development in a region, irrespective of the policy makers. The opinion on this matter of the regional functional authority is taken into consideration as well, apart from the interpretation of statistical indicators.

The survey has shown that only 34% of the managers in South West Oltenia have a clear vision of their business and no more than 26% can identify the opportunities on the market. The basic premise of the research was thus confirmed, as it is clear that the entrepreneurs in Oltenia cannot plan business development in an appropriate manner.

The next step was to check whether they do realize the importance of human capital and innovation in increasing their competitiveness on the common market. Within the sample of 35 managers, more than 42% indicated management diligence or human capital as the firms' main strength. Conversely, 32% consider human capital to be the major weakness of the organization, a symptom of the unskilled pool of labor that shadows business development opportunities in the region. The result is a positive one, because it indicates that managers understand appropriately the worth of their employees in the success of the business. Regarding innovation, 46% of the firms in

Oltenia do not bring anything new on the market, and the most frequent explanation - 42% of the answers- for this situation is that they have no people capable to create knowledge.

In order to see what companies from Oltenia do when they realize that human capital is one of the major sources for their lack of competitiveness, an indicator recorded the share of annual turnover spent on employee trainings. It showed that only 20% of the firms pay at least 5% of their income on increasing the worth of the employees, all of them having identified either human capital or management diligence as the main strength of the company. Since 54% of the managers who do not invest in training consider that human capital is the major weakness of their company, the gap in the companies' human endowment is expected to increase.

Therefore, less than a third of the managers in Oltenia are able to analyze the internal or external environment of their business, and very few would be capable to perform an appropriate SWOT analysis of their company. Some 40% do acknowledge the importance of human capital and about a half offer unique products and services on the market dedicating some of their efforts to innovation. However, only 20% invest more than 5% of their income on developing the human capital. In this context, it is interesting to see which companies do contribute to the sustainable development of the local community.

First of all, 58% of the companies whose managers can formulate the enterprise's mission involve more than the average company from the region in promoting sustainable development principles, a share twice higher than for the managers who are unaware of the internal business environment. All companies which identified human capital as their main strength manifest an average influence on the wellbeing of the community, 4 to 7 on the 1 to 10 scale. Moreover, 75% of the managers that identified an opportunity for development on the market consider that they are supporting sustainability more than the average enterprise from the sample. These and other correlations suggest that the companies' resources for strategic planning and innovation are a determinant of the impact on local sustainable development.

The assumptions formulated in the research have been confirmed, but their validity should be further tested in better performing regions, to check for differences in the enterprises' contribution to sustainable development. In South West Oltenia the sample should be expanded to cover more accurately the exact profile of companies. An evolution in time could be also analyzed later on, to see if better premises for strategic planning -enhanced by the integration in the European Union- would translate into more responsible practices for sustainable development.

A correction should also be made with respect to the sample used in the survey. The research covered more SMEs and fewer microenterprises than the official statistics, since the former were easier to reach and the rate of responsiveness was higher among them. This means that the capacity for strategic planning revealed in the study is higher than what is actually true for the regional economy, especially if the level of education and experience of the managers and the location of the headquarters in the local poles of growth are taken into consideration. As mentioned in the previous chapter, the results

are more indicative for the correlation between strategic management and sustainable practices than for the actual capacity for strategic planning in the region. Nevertheless, since the best performing businesses registered the results presented above, it goes without saying that, overall, the situation is much worse.

In this study, based on the 11 types of contributions to sustainable development that were tracked for each enterprise, a company index for sustainable development has been created, as the average between the eleven scores from 1 to 10. A better correlation between strategic management and regional sustainable development could be obtained during future research by elaborating a strategic management index as well, but it is not the purpose of this paper to suggest indicators and ways of aggregation for such an index.

Finally, it is worth mentioning that both the RDA in Craiova and more than half of the interviewees repeatedly mentioned the political factor and the local authorities as the main cause for the development lag of South West Oltenia as compared to the rest of the Romanian regions. Contrary to the hypothesis formulated in the theoretical review that the engine for regional sustainable development is represented by the business environment, this suggests that the key responsibility remains with the policy makers. The result does not affect the conclusions of the research, but it should be tested in other regions of Romania as well. If in other EU member states the main actor in the pursuit of sustainable development is indeed the business community, then the hypothesis was after all correct, but for regions where the businessmen are better equipped with managerial skills.

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